

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 205 OF THE BUSINESS BOARD

May 6, 2013

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, May 6, 2013 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Shirley Hoy (Vice-Chair, In the Chair)
Professor Scott Mabury, Vice-President,
University Operations
Professor Angela Hildyard, Vice-President,
Human Resources & Equity
Ms Alexis Archbold
Ms Celina Rayonne Caesar-Chavannes
Mr. Ian Freedman
Mr. Arthur Heinmaa
Ms Zabeen Hirji
Professor Michael R. Marrus
Ms Catherine Riddell
Mr. Peter Robinson
Professor Andrea Sass-Kortsak
Mr. Howard Shearer
Ms Penny F. Somerville
Mr. Chris Thatcher
Mr. W. Keith Thomas
Professor Steven J. Thorpe
Ms B. Elizabeth Vosburgh

Mr. Andrew Arifuzzaman, Chief
Administrative Officer, UTSC
Ms Sheila Brown, Chief Financial Officer
Mr. Paul Donoghue, Chief Administrative
Officer, UTM
Ms Sally Garner, Executive Director,
Planning & Budget Office
Ms Gail Milgrom, Assistant
Vice-President, Campus and Facilities
Planning
Mr. David Palmer, Vice-President,
Advancement
Ms Christina Sass-Kortsak, Assistant
Vice-President, Human Resources

Ms Sheree Drummond, Secretary

Regrets:

Mr. Jeff Collins
Professor Cheryl Misak
Mr. Gary P. Mooney
Mr. John Switzer
Ms Paulette Kennedy

Ms Rita Tsang
Ms Nana Zhou

In Attendance:

Mr. Harvey Botting, Member-Elect of the Governing Council
Ms Steve Moate, Senior Legal Counsel
Ms Gillian Morrison, Assistant Vice-President, Divisional Relations & Campaigns
Ms Andrea Carter, Director, High Risk & Accessibility for Ontarians with Disabilities Act
Professor Bernhard Kraatz, Department of Physical and Environmental Sciences, UTSC

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013

Ms Katy Francis, Senior Strategic Communications Adviser, Office of the Vice-President,
Human Resources and Equity

Ms Rosie Parnass, Director, Organizational Development & Learning Centre and Quality of
Work Life Advisor

Ms Meredith Sandles, Senior Human Resources and Project Specialist, Office of the Vice-
President, Human Resources and Equity

Ms Ayoola Scott, Employment Equity and Accessibility for Ontarians with Disabilities Act
Coordinator

Ms Gina Trubiani, Associate Director, Environmental Health and Safety

Mr. Adrian Hussey, University of Toronto Asset Management Corporation

Mr. William (Bill) Moriarty, University of Toronto Asset Management Corporation

Mr. Cam Richards, University of Toronto Asset Management Corporation

Mr. Darren Smith, University of Toronto Asset Management Corporation

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

Ms Shirley Hoy, Vice-Chair, advised members that she would be chairing the meeting in the
absence of Mr. John Switzer, Chair, who was out of the country.

1. *Annual Report of the Vice-President, Human Resources & Equity, 2011-12*

The Chair reminded members that this item was an annual accountability report and that it was
being provided to the Board for information. She invited Professor Angela Hildyard to introduce
any colleagues from her division who were present. Professor Hildyard introduced the
following: Ms Meredith Sandles, Ms Katy Francis, Ms Gina Trubiani, Ms Andrea Carter, Ms
Rosie Parnass, Ms Ayoola Scott and Ms Christina Sass-Kortsak. She also introduced Mr. Steve
Moate, noting that while not formerly part of her portfolio he nevertheless provided extensive
support.

Professor Hildyard gave a presentation¹. The following key points were addressed:

- Among the priorities was a focus on equity and the desire to ensure that it was firmly a
part of the University's culture.
- There were 70 fewer faculty members than previous year (largely an outcome of special
retirement package, replacements were ongoing); 136 more staff; and 171 more
sessionals (related to the fact that there were fewer faculty).
- A separate report on equity was provided annually to the University Affairs Board.
Equity was defined broadly and did not simply reflect a human rights approach. The
focus was on raising awareness, across the three campuses, although complaints are
obviously dealt with as well.
- A significant number of collective agreements will expire in 2014. While the University's
past practice has been to stagger the expiry of agreements, the Province's wage restraint
legislation had led to two-year agreements rather than multi-year agreements.

¹ <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=9761>

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013

- Launch of the strategic recruitment model that was designed to proactively respond to changing recruitment needs. Included a strategy to use LinkedIn in a more proactive way. U of T's LinkedIn site launched in November 2012 and already has 26,000 followers.
- There had been an increase in the average applicants per position by 25% over last year. In 2011-12, 60% of positions were filled by internal candidates.
- Following the launch of new Human Resources & Equity website² visits have increased by 167%.
- Focus on leadership and succession planning. In 2012 there was a focus on grooming mid-level business managers to assume more senior level positions. This was seen as particularly critical with the University's budget model.
- A number of different initiatives were underway to improve client services (e.g., HR Technology Optimization Plan' which includes enhancements to Employee Self-Service; streamlining the employee onboarding process).

Before proceeding to the part of the presentation focused on the Employment Equity Report, the Chair asked members if they had any questions on what they had heard to that point.

A member asked for clarification on the assertion that the University does not take a human rights approach to equity. Professor Hildyard explained that some universities took the approach of placing responsibility for all equity and diversity matters (raising awareness as well as dealing with complaints) in a human rights office. The approach of the University of Toronto had been to identify equity, diversity and excellence as core values of the institution and to put in place a number of equity officers with particular areas of focus. While some of these equity officers dealt with complaints, their primary objective was to raise awareness and share best practices.

Referring to a recent article in the *Globe and Mail* on a study of female anthropology students who had experienced harassment while doing their fieldwork, a member asked whether the University of Toronto was aware of whether this was an issue for its students. Professor Hildyard indicated that upon reading the article she had been in touch with Ms Holly Luffman in the Centre for International Experience and was in the process of finding out whether concerns of this nature had been brought to the University's attention. Professor Hildyard also noted that the ***Health & Safety Requirements: Quarterly Report on Compliance (2012-13 Third Quarter)*** that was before the Board contained data on incidents abroad related to students, as requested by the member.

A member congratulated Professor Hildyard on the accomplishments of her portfolio and asked whether the University had a target for the level of turn-over. Professor Hildyard responded that in general the level of turn-over in post-secondary institutions was low and that given the size of the institution there was significant opportunity for career progression with the institution. She said that she did not have a particular target in mind.

² <http://www.hrandequity.utoronto.ca/>

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013**2. *Employment Equity: Annual Report, 2012***

At the invitation of the Chair, Professor Hildyard proceeded with her presentation. The following key points were addressed:

- Employment equity data is tracked primarily through the completion of a voluntary on-line survey. In 2012 the return rate was 92%.
- The University monitors areas where its internal population does not meet external availability data, e.g., aboriginals, persons with disabilities.
- Various initiatives in place, e.g., training for search committees, workshops on respectful work environments.
- The University engages in a number of partnerships, e.g., Toronto Region Immigrant Employment Council, Joint Employment Equity committees with union groups.

Professor Hildyard closed by saying that the University continues to be recognized for its leadership. It received the following recognition in 2012: Canada's Top 100 Employers; Greater Toronto's Top Employers; Canada's Best Diversity Employers; Top Employers for Canadians over 40; and Canada's Greenest Employers.

A member asked how the distributed approach to equity works in practice and how the University ensures neutrality and confidentiality with respect to complaints. Professor Hildyard responded that the processes are the same as would be followed by a Human Rights Office and that strict provisions for confidentiality were in place.

A member asked about the process for renewal of the faculty. Professor Hildyard responded that faculty renewal decisions were made at the level of the Chair and the Dean and that these decisions are driven by academic plans. She pointed out that the special retirement package that had been put in place was structured such that Deans could reserve the right to decide where the new hires would be within the Faculty.

A member asked for clarification of the meaning of Figure 11 on page 16 of the *Employment Equity Report*. Professor Hildyard replied that she would provide this to the member after consulting with staff.

3. *Health & Safety Requirements: Quarterly Report on Compliance (2012-13 Third Quarter)*

Professor Hildyard pointed out to members that the version that had been available on the Boardbooks portal, unlike the version that was publicly available on the web, did not include the information regarding incidents abroad related to students. The revised version of the document was distributed to members. Professor Hildyard noted that this was the first time this data was being presented and that it was in response to previous questions on this topic from members.

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013**OTHER ITEMS****4. *University of Toronto Asset Management (UTAM) Corporation: Annual Report and Financial Statements, 2012***

The Chair invited Ms Sheila Brown to briefly introduce the item. Ms Brown indicated that that the *Report and Financial Statements* were approved by the UTAM Board at its meeting on April 30, 2013. She introduced Mr. Moriarty, President and Chief Executive Officer, UTAM who subsequently introduced his colleagues who were in attendance: Mr. Adrian Hussey (Managing Director, Portfolio and Risk Analysis); Mr. Cam Richards (Managing Director, Investment Strategy & Co-CIO); and Mr. Darren Smith (Managing Director, Manager Selection & Portfolio Construction).

Mr. Moriarty presented the UTAM Portfolio Performance Review. Among the highlights of his presentation³ were the following:

- Annual Returns vs. University Targets: Despite a major restructuring of the Long-Term Capital Appreciation Pool (LTCAP) and the Pension Master Trust fund (Pension) in 2012, the Endowment, Pension and Expendable Funds Investment Pool (EFIP) outperformed their various benchmarks.
- 2012 Value-Added Versus New Benchmark Portfolio: A new Reference Portfolio was adopted in 2012 as the key benchmark for evaluating the success of active management activities by UTAM. It is comprised purely of investments in public markets. A key benefit is that it should clearly measure the impact of using alternative strategies. The Reference Portfolio meaningfully outperformed the University Target of 4.9% in 2012. Active management decisions (net of costs) further added to performance in 2012. Mr. Moriarty pointed out that using 2012 asset levels for LTCAP and Pension, each 0.5% of value-add from ‘active’ management activities contributes approximately \$29mm to the University.
- Steady Improvement in Value-Added: Steady improvements of value-added (net of all costs) each year since 2008. Mainly a reflection of the addition of experienced personnel and the development of enhanced infrastructure at UTAM.
- Portfolio Asset Mix: There had been meaningful change in terms of asset mixes compared to 2011, reflecting the adoption of the new Reference Portfolio as the benchmark and an evolution in UTAM’s approach to portfolio construction.
- Public Markets’ Returns: Capital markets delivered surprisingly good returns in 2012, particularly those tilted toward non-Canadian equities.
- Private Investment Returns: Over the last five years these investments have outperformed public market equities. Periodically have been questions on valuations, however, auditors were comfortable that the valuations were reasonable. In addition, UTAM

³ <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=9760>

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013

reviewed the proceeds realized on the sale of 36 companies held by various managers and found that the actual prices received were on average 12.6% above the values reported by the managers in the quarter preceding sale.

- **Portfolio Risk vs. Reference Portfolio:** In 2012 implemented a forward-looking system that was based on the actual make-up of the portfolio. There was more granularity in this system and it allows for more informed discussions about what could happen to the portfolio in a stress environment.
- **Challenging Investment Environment:** 2012 performance was better than expected, however, investors continue to face a challenging investment environment. With the current yield as a good indicator of likely future bond market returns, at current levels bonds would not provide much protection against market and economic turbulence.
- **Current Investment Environment:** No real change in outlook. While few investors are thinking bullish, many are increasingly acting bullish. Focus would be on finding unique and efficient pockets within markets.

Mr. Moriarty concluded his presentation by noting that UTAM had gone through significant transformation in the last four years. He acknowledged the support of Cathy Riggall, who had chaired the Board for the past three years, and President David Naylor. He noted that both had been pivotal in UTAM's transformation.

A member asked whether there was another view than the view that the University should manage its own money. He asked whether there were significant savings by taking this approach. Mr. Moriarty replied that when he had arrived at UTAM it was under-staffed relative to the portfolio it had assembled. With the support of the President, he added experienced individuals to the team. He noted that it was not clear what the best approach would be and that in the United States a significant number of institutions had outsourced this activity. He pointed out that the *Morneau Report* made the argument for the need for a critical mass (minimum of \$40B). Professor Mabury commented that this matter was one that the provincial government continued to explore. Ms Brown noted that the focus of the provincial government was on pension funds but cautioned that while the absolute numbers related to the identified savings are relatively positive they are not as significant when looked at in relation to the assets. Mr Moriarty noted that he believed that costs savings were overstated and that the real issue was the execution risk associated with an initiative on this scale.

A member asked about the risk analysis system and its impact on decisions. Mr. Moriarty replied that UTAM was able to run stress scenarios whereby it was possible to assess whether there was too much risk coming from one manager.

The Chair thanked Mr. Moriarty for his presentation.

5. Reports of the Administrative Assessors

There were no reports from the Administrative Assessors.

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013

6. Governance Pathways for Capital Projects and Infrastructure Renewal Projects

The Chair advised members that the intent of the document was to outline some proposed changes to the procedures through which capital and infrastructural renewal project reports would be brought forward for governance approval. The purpose of these changes was to enhance the University's ability and ongoing efforts to (a.) allocate its resources prudently and effectively, (b.) maximize opportunities for cost containment and (c.) ensure the value and integrity of the public procurement process. The proposal was for non-financial aspects to be considered in open session and for the financial aspects to be considered *in camera*.

Professor Mabury further explained that this would mean that discussion of the site, space plan, and source of funds for the project would take place in the open session of the meetings of the appropriate governance body (Planning & Budget, Academic Board, Executive Committee and Governing Council). The overall cost of the project, as well as the delineation of amounts derived from the various sources of funds, would be considered in the *in camera* session of the same meeting. Professor Mabury emphasized that this was important for the value and integrity of the public procurement process.

The Chair indicated that as the mandate of the Business Board was to approve the execution of projects the projects that would come forward to Business Board would be considered only in the *in camera* session. She noted, however, that in the interests of transparency, and to ensure that members of the Business Board had the full context for the project, a link to the publicly available documentation that was considered by the other Boards and Committees would be included as part of the information provided to the Business Board.

The Chair concluded by noting that complete documentation (i.e., all details – non-financial and financial) would be made publicly available on the Governing Council website at a later date once the bids for the project were received and finalized, and the Governing Council Office was notified.

There were no questions or comments from members.

OPEN SESSION CONSENT AGENDA

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted.

7. Report of the Previous Meeting – Report Number 204 – April 8, 2013

8. Business Arising from the Report of the Previous Meeting

9. Report on Capital Projects as of April 30, 2013

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013

CLOSING ADMINISTRATIVE ITEMS

10. Date of Next Meeting

The Chair reminded members that the Board's next regular meeting was scheduled for Thursday, June 13, 2013 at 5:00 p.m.

CLOSED SESSION / IN CAMERA ITEMS

The Board moved *in camera*.

11. Capital Projects

(a.) Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent – Execution of Project

On motion duly moved, seconded, and carried
YOUR BOARD APPROVED

The recommendation regarding the Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent – Execution of Project contained in the memorandum from Professor Scott Mabury, Vice-President, University Operations, dated April 23, 2013.

(b.) Environmental Science and Chemistry Building at University of Toronto Scarborough – Execution of Project

On motion duly moved, seconded, and carried

YOUR BOARD APPROVED

The recommendation regarding the Relocation of the Environmental Science and Chemistry Building at University of Toronto Scarborough – Execution of Project contained in the memorandum from Professor Scott Mabury, Vice-President, University Operations, dated April 23, 2013.

12. In Camera Reports of the Administrative Assessors

Professor Mabury spoke about further potential implications of the new tuition framework.

The Board returned to open session.

The Chair thanked members for their attendance and participation in the Board meeting.

REPORT NUMBER 205 OF THE BUSINESS BOARD – May 6, 2013

The meeting adjourned at 7:08 p.m.

Secretary

Chair

May 15, 2013